



WILLIAM T FUJIOKA
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
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June 1, 2010

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**FIVE-YEAR OPTION TO RENEW LEASE NO. 72555
DEPARTMENT OF MENTAL HEALTH AND SHERIFF'S DEPARTMENT
1529 EAST PALMDALE BOULEVARD, PALMDALE
(FIFTH DISTRICT) (3 VOTES)**

SUBJECT

This recommendation is for a five-year lease renewal of 9,479 square feet of office space and 28 parking spaces for the Department of Mental Health (DMH) and Sheriff's Department (Sheriff).

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that the lease renewal is categorically exempt from the California Environmental Quality Act pursuant to Class 1, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board, and Section 15301 of the State of California Environmental Quality Act Guidelines (Existing Facilities).
2. Exercise the option to renew the lease for a five-year term with John Neman, Leon Neman, and Yoel Neman (Lessors) for 9,479 rentable square feet of office space and 28 parking spaces located at 1529 East Palmdale Boulevard, Palmdale, for the Departments of Mental Health and Sheriff at a maximum annual first year rent of \$184,763. The rental cost of \$149,237 for the Department of Mental Health is 100 percent funded by State and federal revenue and the rental cost of \$35,526 for the Sheriff is 100 percent net County cost.

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PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Both DMH and the Sheriff have occupied the subject facility, under a ten-year agreement, that commenced May 2000, with DMH occupying 7,656 square feet of office space and the Sheriff's Employee Support Services (ESS) unit occupying 1,823 square feet of office space. The lease has been on a month-to-month basis since May 1, 2010. The proposed action herein will allow DMH to continue servicing its clientele in the Antelope Valley, specifically, in the Palmdale area, where growth in the last 15 years has generated an increased demand for the counseling and guidance programs being offered, as well as allowing the Sheriff's ESS unit to provide confidential counseling to employees and their immediate families. The Sheriff has increased in staff size at the regional Sheriff's stations in Lancaster and Palmdale. As staff increases in size, employee support services in the form of counseling to employees and their families have also increased.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan directs that we address Children, Family, and Adult Well-Being (Goal 2). In this case, we have enhanced economic and social outcomes through integrated, cost-effective, and client-centered supportive services in accordance with the Strategic Asset Management Principles, as further outlined in Attachment A.

FISCAL IMPACT/FINANCING

The option agreement, when exercised, will extend the same terms, conditions, and rent provisions as contained in the original ten-year lease agreement. In compliance with provisions governing rental adjustments and the payment of tenant improvements, the first-year option rent will change from the current rent of \$190,877 to a maximum of \$184,763. The overall decrease reflects the elimination of tenant improvement payments with a projected rental rate increase including an assumed annual Consumer Price Index (CPI) adjustment capped at 3 percent of the monthly base year rent or \$4,266 annually.

The rental cost for DMH is 100 percent funded by the State and federal revenue. The rental cost for the Sheriff is net County cost (NCC).

1529 E. PALMDALE	EXISTING LEASE	LEASE RENEWAL	CHANGES
AREA (SQUARE FEET)	9,479	9,479	None
TERM	05/01/00 to 04/30/10 Month-to-month effective 05/01/10	Five years Upon approval by the Board of Supervisors	+Five years
MAXIMUM DMH ANNUAL BASE RENT	\$145,791	\$149,237	+\$3,446
MAXIMUM SHERIFF ANNUAL BASE RENT	\$34,706	\$35,526	+\$820
DMH TI REIMBURSEMENT	None	None	None
SHERIFF TI REIMBURSEMENT	\$10,380	None (Reimbursed in full 4/30/2010)	-\$10,380
MAXIMUM ANNUAL RENT	\$190,877 (\$20.14/sq. ft.)	\$184,763 (\$19.49/sq. ft.)	-\$6,114
PARKING INCLUDED IN RENT	28 spaces	28 spaces	None
CANCELLATION	Anytime after 60 months upon 90 days notice	Anytime upon 90 days notice	None
OPTION TO RENEW	Two five-year options	First five-year option exercised	One remains
RENTAL ADJUSTMENT	Annual CPI with a cap of 3 percent of the monthly base year rent or \$4,226 annually	Annual CPI with a cap of 3 percent of the monthly base year rent or \$4,226 annually	None

Sufficient funding for the proposed lease renewal is included in the 2009-10 Rent Expense budget and will be billed back to DMH and Sheriff. Sufficient funding is available in DMH's and the Sheriff's operating budgets to cover the proposed lease costs.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Notice of intent to exercise this renewal option has been provided to the Lessor who has extended the time available for the County to exercise the renewal option. The lease renewal requires your Board to exercise the option and contains the following terms and conditions.

- The term commences upon Board approval and expires five years thereafter.
- The initial ten-year lease which commenced on May 1, 2000, had a cancellation clause, and the Option, if exercised, is under the same terms and conditions with a cancellation anytime upon 90 days notice.

- The rent includes parking for 28 vehicles.
- The lease continues on a full service basis.
- The rent under the lease renewal will be subject to annual CPI increases capped at 3 percent of the monthly base year rent, to a maximum of \$4,266, with a floor no lower than the prior year, commencing upon Board adoption of the lease renewal.

The Chief Executive Office (CEO) Real Estate staff has not surveyed for alternative sites as DMH requested an extension of the lease by exercising the first five-year option. The Sheriff requested that if available space could be found elsewhere that approximated their current costs they would prefer to re-locate. There are no sites available that could accommodate the Sheriff at the renewal rental rate and the Sheriff will remain at the site. CEO Real Estate staff surveyed the County areas that best could service this program to determine the market rate of comparable sites, and based upon said survey, staff has established that the base rental range including parking for similar property is between \$19.97 and \$24 per square foot per year full basis service. Thus, the base annual rent of \$19.49 per square foot for the base lease cost is below the market range. Attachment B shows County-owned and leased facilities within the search area for these programs and there is space available at 1110 West Avenue J, Lancaster. However, the space is not habitable and the cost to refurbish the 12,314 square feet would not be cost-effective when compared to the costs associated with the proposed lease renewal.

The Department of Public Works previously inspected this facility and concluded that it is suitable for County use.

Notification letters have been sent to the City of Palmdale pursuant to Government Code Sections 25321 and 65402.

ENVIRONMENTAL DOCUMENTATION

The CEO has concluded that this project is exempt from California Environmental Quality Act (CEQA) pursuant to Class 1, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15301 of the State CEQA Guidelines (Existing Facilities).

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There will be no disruption of services as this is an exercise of a lease renewal option. DMH and the Sheriff concur with the proposed lease renewal.

The Honorable Board of Supervisors
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CONCLUSION

It is requested that the Executive Officer, Board of Supervisors return two certified copies of the Minute Order and the adopted stamped Board letter to the CEO, Real Estate Division, 222 South Hill Street, Los Angeles, CA 90012.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:SK:WLD
CEM:TS:hd

Attachments

c: Executive Office, Board of Supervisors
County Counsel
Auditor Controller
Department of Mental Health
Sheriff

1529epalmdale.b

**DEPARTMENT OF MENTAL HEALTH AND SHERIFF
1529 EAST PALMDALE BOULEVARD, PALMDALE
Asset Management Principles Compliance Form¹**

1.	<u>Occupancy</u>		Yes	No	N/A
	A	Does lease consolidate administrative functions? ²			X
	B	Does lease co-locate with other functions to better serve clients? ²	X		
	C	Does this lease centralize business support functions? ²			X
	D	Does this lease meet the guideline of 200 sq. ft of space per person? ²	X		
2.	<u>Capital</u>				
	A	Is it a substantial net County cost (NCC) program? The lease cost for DMH is 100 percent funded by State and federal revenue and the Sheriff is 100 percent NCC.		X	
	B	Is this a long term County program?	X		
	C	If yes to 2 A or B; is it a capital lease or an operating lease with an option to buy?		X	
	D	If no, are there any suitable County-owned facilities available? Yes, there is vacant County-owned space at 1110 W Avenue J, Lancaster.	X		
	E	If yes, why is lease being recommended over occupancy in County-owned space? The County-owned space is not habitable and the cost to refurbish the space to meet the department requirements is not cost-effective when compared to the proposed lease.	X		
	F	Is Building Description Report attached as Attachment B?	X		
	G	Was build-to-suit or capital project considered? The existing lease terms are at the low end of market rate and the larger portion of the programs at the site are funded by State and federal revenue offsetting a majority of the monthly rental costs; therefore, a build to suit or capital project is not being considered.		X	
3.	<u>Portfolio Management</u>				
	A	Did department utilize CEO Space Request Evaluation (SRE)?	X		
	B	Was the space need justified?	X		
	C	If a renewal lease, was co-location with other County departments considered?	X		
	D	Why was this program not co-located?			
		1. ____ The program clientele requires a "stand alone" facility.			
		2. ____ No suitable County occupied properties in project area.			
		3. ____ No County-owned facilities available for the project.			
		4. ____ Could not get City clearance or approval.			
		5. <u>X</u> The Program is being co-located.			
	E	Is lease a full service lease? ²	X		
	F	Has growth projection been considered in space request?	X		
	G	Has the Dept. of Public Works completed seismic review/approval?	X		
	¹ As approved by the Board of Supervisors 11/17/98				
	² If not, why not? Please bold any written responses.				

**SPACE SEARCH, WITHIN TEN MILES
OF 1529 EAST PALMDALE BOULEVARD, PALMDALE
DEPARTMENT OF MENTAL HEALTH AND SHERIFF'S DEPARTMENT**

LACO	FACILITY NAME	ADDRESS	SQ. FT. GROSS	SQ. FT. NET	OWNERSHIP	SQ. FT. AVAIL
A079	Assessor-Lancaster Regional Office	251 E Avenue K-6, Lancaster 93534	15,338	13,712	Leased	None
A035	Board of Sup 5 th District Field Office	1113 W Avenue M-4, Palmdale 93550	1,241	1,164	Leased	None
X511	MICHAEL ANTONOVICH Antelope Valley Courthouse	42011 4TH ST W, Lancaster	304,126	234,299	Financed	None
A192	Probation Antelope Valley Area Offices	321 E Avenue K-4, Lancaster 93535	6,400	6,080	Leased	None
X495	PW-Waterworks North Maintenance Area HQ Bldg	260 E Avenue K-8 Between Ave K-8 and K-10, Lancaster 93535-4527	13,200	11,155	Owned	None
X542	PW-Waterworks North Maintenance Area HQ Office	260 E Avenue K-8 Between Ave K-8 and K-10, Lancaster 93535-4527	2,000	1,900	Owned	None
A642	DPSS-Lancaster GR/GROW Office	335 E Avenue K-10, Lancaster 93535-4539	22,040	20,938	Leased	None
A008	Antelope Valley Service Center	335A Avenue k-6, Lancaster	51,000	42,803	Leased	None
A433	Antelope Valley Service Center B	349A-B Avenue k-6, Lancaster	51,000	33,932	Leased	None
A125	Lake Los Angeles Library	16921 E Avenue O, Palmdale	3,245	2,921	Leased	None
A125	Lake Los Angeles Clinic	16921 E Avenue O, Palmdale	2,457	2,211	Leased	None
A380	DPSS Antelope Valley CAIN	1050 E Palmdale Blvd., Palmdale	18,795	17,855	Leased	None
A509	Palmdale Courthouse	38256 Sierra Highway, Palmdale	18,528	16,256	Owned	None
4586	Lancaster Courthouse	1110 W Avenue J, Lancaster	18,488	12,314	Owned	Vacant